

## Message Text

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INFO AMEMBASSY YAOUNDE

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UNCLAS ABIDJAN 6355

E.O. 11652 N/A

SUBJ: LCBC - TWO ROADS - 625-H-003

REF: STATE 172442

THE HARRIS REPORT CONCLUDES THAT THE ENTIRE ROAD KAELE TO BONGOR SHOWS AND INTERNAL RATE OF RETURN OF ABOUT 14 PERCENT. TAKEN SEPARATELY THE CAMEROON SECTION TO THE FERRY STATION HAS A RETURN OF ABOUT 17 PERCENT AND THE CHAD SECTION SHOWS A NEGATIVE RETURN. HOW THESE CONCLUSIONS ARE USED DEPENDS ON AID VIEW OF THE PROJECT. IF CONSIDERED AS A REGIONAL PROJECT, THAT IS A SINGLE ROAD KAELE TO BONGOR, THE ECONOMIC FEASIBILITY OF THE ROAD AS A UNIT SHOULD BE TAKEN INTO ACCOUNT. IF VIEWED AS TWO ROADS THE ANALYSIS CLEARLY FINDS THE ROAD IN CHAD AS ECONOMICALLY NON-FEASIBLE. IN EITHER CASE THE FOLLOWING COMMENTS ARE RELEVANT:

1. IRR CALCULATIONS DEPEND TO A VERY LARGE EXTENT ON ACCURACY OF AGRICULTURAL PRODUCTION INCREASES ATTRIBUTABLE TO EXISTENCE OF ALL-WEATHER ROAD. METHODOLOGY USED IN MAKING THESE PROJECTIONS, AS DESCRIBED IN 1970 LCBTS STUDY, IS VERY CRUDE AND SUBJECT TO WIDE MARGINS OF ERROR. REDSO APPRECIATES THAT BECAUSE OF LACK OF DATA AND LARGE NUMBER OF UNKNOWNNS, ATTEMPTS AT FURTHER PRECISION WOULD HAVE BEEN DIFFICULT, COSTLY, AND PERHAPS NOT JUSTIFIED. HOWEVER, REDSO FEELS THERE SHOULD AT LEAST HAVE BEEN A SENSITIVITY ANALYSIS TO DETERMINE EFFECTS OF ALTERNATIVE AGRICULTURAL PRODUCTION PROJECTIONS ON IRR ESTIMATES. OUR ROUGH CALCULATIONS INDICATE THAT IF THE PRODUCTION INCREASES ATTRIBUTABLE TO THE ROAD TURN OUT TO BE OVERSTATED BY AS LITTLE UNCLASSIFIED

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AS 20 PERCENT, WHICH IS WELL WITHIN LIKELY MARGIN OF ERROR,

IRR FOR THE FULL DISTANCE (KAELE-BONGOR) BECOMES NEGATIVE.

2. PRESENT THROUGH TRAFFIC IS SHOWN AS ONLY 8 PERCENT OF TOTAL TRAFFIC. HARRIS HAS PROJECTED FUTURE TRAFFIC ON A STRAIGHT LINE BASIS. THERE IS NOTHING TO SHOW WHETHER THE CONSULTANT HAS TAKEN INTO ACCOUNT A POSSIBLE INCREASE IN THE BASE FIGURE FOR THROUGH TRAFFIC DUE TO AVAILABILITY OF ALL-YEAR ROAD AND A 24-HOUR AVAILABLE RIVER CROSSING.

3. IN ESTIMATING MAINTENANCE OF THE DIRT ROAD THERE IS NO INDICATION WHETHER OR NOT THIS INCLUDES ANNUAL COST UNDER PRESENT CONDITIONS OF REGRADING AND RECONSTRUCTION OF FLOOD PLAIN SECTIONS AND FERRY LANDINGS.

4. ALTHOUGH USER BENEFITS FROM AVAILABILITY OF 24-HOUR CROSSING FACILITIES OF THE LOGONE RIVER ARE MENTIONED IN THE "UNQUANTIFIABLE BENEFITS", IT SHOULD HAVE BEEN POSSIBLE TO QUANTIFY THE BENEFITS RESULTING FROM ELIMINATION OF PRESENT SIZE AND WEIGHT LIMITATIONS OF LOADS, DELAYS DUE TO FERRY CAPACITY LIMITATIONS AND FERRY BREAKDOWNS, BASED ON EXPERIENCE IN LAST FEW YEARS.

5. CONSTRUCTION COSTS WITHOUT TAXES BASED ON 1975 PRICES APPEAR ON THE HIGH SIDE COMPARED WITH OTHER COUNTRY COSTS EXPERIENCE EXCEPT GABON. HOWEVER, NO ALLOWANCE IS MADE IN THE REPORT FOR INFLATION OTHER THAN CONTINGENCY. B/C AND IRR CALCULATIONS ARE PROPERLY EX-TAXES.

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